

TRA customer complaints are handled pursuant to TRA guidelines included in 1220-4-1-.13 and include:

(a) A full and prompt investigation of all types of complaints made by its customers

(b) If the use of service interferes unreasonably with the necessary use of the other customers, a customer may be required to take insufficient quantity of different class or grade

(c) Each telephone utility shall within (10) working days, after receipt of a complaint forwarded by the Authority, file a written reply with the Authority.

In addition, the Company is subject to consumer protection obligations under state law relating to truth-in-billing requirements, CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

Millington Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).¹ The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to propane.

¹ Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, 14-58 CC DOCKET NO. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

(704) Price Offerings Including Voice Rate Data
Data Collection Form

OMB Control No. 3060-0955/OMB Control No. 3350-0010
July 2017

<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	John Strobe
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703262345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John_Strobe@rittercommunications.com

<701> Residential Local Service Charge Effective Date
<702> Single State-wide Residential Local Service Charge

1/1/2015

<703>

[illegible]

REDACTED - FOR
PUBLIC INSPECTION

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, 14-58 CC DOCKET NO. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

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[730] Broadband Price Offerings Data Collection Form		FCC Form 481 OMB Control No. 3045-0065/OMB Control No. 3050-0014 July 2013
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<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<711>	<01>	<02>	<03>	<04>	<05>	<06>	<07>	<08>	<09>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rates and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)	
TN	Drummonds	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Drummonds	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable	
TN	Drummonds	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable	
TN	Drummonds	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Drummonds	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable	
TN	Drummonds	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable	
TN	Drummonds	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable	
TN	Mason	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Mason	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable	
TN	Mason	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable	
TN	Mason	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Mason	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable	
TN	Mason	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable	
TN	Mason	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable	
TN	Millington	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Millington	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable	
TN	Millington	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable	
TN	Millington	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable	
TN	Millington	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable	
TN	Millington	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable	
TN	Millington	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable	

REDACTED - FOR
PUBLIC INSPECTION

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, 14-58 CC DOCKET NO. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

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(710) Broadband Price Offerings Data Collection Form	ICC Form 481 OMB Control No. 3060-0946/OMB Control No. 3060-0813 July 2013
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<010> Study Area Code	290571
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rates and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)
TN	Murford	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Murford	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable
TN	Murford	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable
TN	Murford	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Murford	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable
TN	Murford	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable
TN	Murford	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable
TN	Rosemark	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Rosemark	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable
TN	Rosemark	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable
TN	Rosemark	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Rosemark	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable
TN	Rosemark	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable
TN	Rosemark	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable
TN	Shelby Forest	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Shelby Forest	59.95	0.0	59.95	3.0	0.5	999999.0	Other, Not applicable
TN	Shelby Forest	59.95	0.0	59.95	8.0	1.0	999999.0	Other, Not applicable
TN	Shelby Forest	69.95	0.0	69.95	15.0	2.0	999999.0	Other, Not applicable
TN	Shelby Forest	79.95	0.0	79.95	30.0	2.0	999999.0	Other, Not applicable
TN	Shelby Forest	59.95	0.0	59.95	0.8	1.0	999999.0	Other, Not applicable
TN	Shelby Forest	89.95	0.0	89.95	50.0	10.0	999999.0	Other, Not applicable

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, 14-58 CC DOCKET NO. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

(710) Broadband Price Offerings
Data Collection Form
CC-Form 481
OMB Control No. 3040-0086 OMB Control No. 3050-0224
JUN 2013

<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@WriterCommunications.com

[illegible]

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, 14-58 CC DOCKET NO. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

(800) Operating Companies
 Data Collection Form

FGE Form 451
 OMB Control No. 3060-0360, OMB Control No. 3050-0819
 July 2013

[illegible]

290571tn1010

Name: Millington Telephone Company, Inc.

SAC: 290571

SPIN: 143001634

LINE 1010 – VOICE SERVICE RATE COMPARABILITY

Millington Telephone Company, Inc.'s fixed voice service is \$13.15 which is below the urban floor rate of \$21.22. Therefore, Millington Telephone Company, Inc. 's fixed voice service is not more than two standard deviations above the national average.

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1
Section 8
Original Page 11

8.3 Link-Up Tennessee

A. General

Link-up Tennessee is offered in all exchanges to provide subsidized assistance to qualifying applicants. It is intended to preserve and promote subscribership among low income households by providing a credit to the installation and connection charge applicable to the provisioning of residence service.

B. Regulations

1. Persons wishing to qualify for the credit must meet state certification criteria for eligibility. This credit is available only to residence customers, and will be applied to the non-recurring charges for the establishment of service for a single telephone line per household, at the principle place of residence.
2. The subscriber must not be a dependent for federal income tax purposes, unless the subscriber is more than sixty (60) years of age.
3. The subscriber must meet the requirements of a state established income test.

C. Rates and Charges

A non-recurring credit in the amount of one-half (maximum of \$30.00) of the installation and connection charges will be applied to the subscribers total non-recurring installation and connection charge.

8.4 In-Class Room Computer Access

A. General

With the exception of the monthly rates for In-Classroom Computer Access Service, Millington Telephone Co., Inc concurs in the rules, regulations, and connection charges governing the provision of this service (See BellSouth General Subscriber Tariff, Section A3.32, Pages 77 and 78). This shall include all free public libraries in any city, county, or town.

B. Regulations

This service is for computer access only. It does not replace administrative business lines. Recurring charge includes touch tone conditioning. It does not include the FCC End User Charge or E-911 charges. These charges will be added to the monthly rate.

C. Rates and Charges

Monthly rate for this service shall be: \$17.00

Moved from Section 4, 5th Revised Page 5 and 2nd Revised Page 6

ISSUED: November 18, 1999

EFFECTIVE: January 3, 2000

W. S. HOWARD, President

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1
Section 8
3rd Revised Page 12
Cancels 2nd Revised Page 12

8.5 Life Line Assistance Program

A. General

The LifeLine Assistance Program was designed to make telephone service available to eligible residential subscribers. The discounts apply to monthly recurring rates and qualifying residential customers. Discounts are applied to existing tariffed rates and charges for residential telephone service.

B. Regulations

1. LifeLine Service is available only with residential service, excluding foreign exchange service.
2. LifeLine Service is limited to one line per household at the customer's primary residence.
3. The federal and state credits are applied to the Local Service bills for qualified residential recipients of aid to Families with Dependent Children (AFDC) Supplemental Security Income (SSI), Food Stamps, Medicaid or to customer's with household total gross annual income at or below 125% of the federal poverty level.
4. Applications for this service will be verified with the state agency responsible for administration of the programs mentioned in the preceding No. 3.
5. The company will process all applications and apply the appropriate credit on the customer's monthly bill.
6. Customers of LifeLine Service must notify the Company of any changes that would affect qualification. Verification of eligibility will take place initially and at a minimum annually each year of service thereafter. When the customer is no longer eligible for LifeLine Service, the discount will be discontinued and regular tariff rates and charges would apply.
7. DDD Toll Restriction is offered at no charge to LifeLine customers. No deposit is required from a LifeLine customer if DDD Toll Restriction is added to their line.

C. Rates and Charges

Monthly Credit (maximum of one line per qualified customer)

1. A discount of **\$10.00** will be given as a Federal LifeLine Service credit, plus a state credit of \$3.50 for a total of **\$13.50** each month.
2. Non-recurring charges are the same as Link-Up Tennessee. See Section 8.3, Original Page 11.

C
C

ISSUED: December 4, 2003

EFFECTIVE: July 1, 2003

W. S. HOWARD, President

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report and
Independent Auditors' Report on Internal Control and Compliance Thereon)



KPMG LLP
Triad Centre III
Suite 450
6070 Poplar Avenue
Memphis, TN 38119-3901

Independent Auditors' Report

The Board of Directors and Shareholder
Millington Telephone Company, Inc.:

We have audited the accompanying consolidated financial statements of Millington Telephone Company, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2014 and 2013 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Millington Telephone Company, Inc. and subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

KPMG LLP

March 31, 2015

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Balance Sheets

December 31, 2014 and 2013

Assets

Current assets:

Cash
Accounts receivable, net
Receivable from RUS
Materials and supplies
Deferred income taxes
Income taxes receivable from E. Ritter & Company
Due from affiliates
Other

Total current assets

Noncurrent assets:

Nonregulated assets

Total noncurrent assets

Telephone plant:

In-service
Under construction

Total telephone plant

Less accumulated depreciation

Net telephone plant

Liabilities and Stockholder's Equity

Current liabilities:

Accounts payable
Current maturities of long-term debt
Due to affiliates
Accrued expenses and other current liabilities

Total current liabilities

Long-term liabilities:

Deferred income taxes
Other

Total long-term liabilities

Stockholder's equity:

Common stock, no par value; [REDACTED] shares authorized, issued and
outstanding
Retained earnings

Total stockholder's equity

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Operations

Years ended December 31, 2014 and 2013

Operating revenue:

Local service
Network access
Long distance
Other
Nonregulated sales

Total operating revenue

Operating expenses:

Plant operations
Depreciation
Customer operations
Corporate operations
Nonregulated expenses
Taxes – other than income taxes

Total operating expenses

Operating loss

Other income (expense):

Interest income
Interest expense
Other

Total other income (expense), net

Loss before income taxes (benefit)

Provision for income taxes (benefit)

Net loss

\$

\$

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2014 and 2013

Net loss

\$

Other comprehensive income, net of tax:

Defined benefit pension plan

Comprehensive income (loss)

\$

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Stockholder's Equity

Years ended December 31, 2014 and 2013

Balance at December 31, 2012

Net loss

Dividend to parent

Defined benefit pension plan, net of taxes

Defined benefit pension transfer to ERC

Balance at December 31, 2013

Net loss

Balance at December 31, 2014

See accompanying notes to consolidated financial statement

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

Cash flows from operating activities:

Net loss

Adjustments to reconcile net loss to net cash provided by
operating activities:

Noncash operating activities:

Depreciation of telephone plant and
nonregulated property and equipment

Defined benefit pension plan

Provision for deferred income taxes

Uncollectible operating revenues

Loss on sale of investments

(Gain) loss on sale of property, plant and equipment

Changes in operating assets and liabilities:

Accounts receivable

Receivable from RUS

Materials and supplies

Other current assets

Due to/from affiliates

Income taxes

Accounts payable

Accrued expenses and other liabilities

Defined benefit pension plan contribution

Net cash provided by operating activities

Cash flows from investing activities:

Proceeds from the sale or maturity of investments

Proceeds from the sale of property, plant and equipment

Purchase of property, plant and equipment

Net cash used in investing activities

Cash flows from financing activities:

Payment of dividends

Proceeds from RUS loan

Payments on RUS loan

Net cash used in financing activities

Net decrease in cash

Cash:

Beginning of year

End of year

Supplemental cash flow disclosures:

Interest paid

Income taxes paid (refunded)

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Millington Telephone Company, Inc. (the Company) is a wholly owned subsidiary of E. Ritter Communications Holdings, Inc. (RCH or the Parent), which is a wholly owned subsidiary of E. Ritter & Company (ERC).

[REDACTED]

(b) General Disclosure of Regulatory Matters

The Company's telephone operations are regulated in nature and its telephone accounting records are maintained in accordance with the rules and regulations of the Tennessee Regulatory Authority (TRA), which substantially adhere to the rules and regulations of the Federal Communications Commission. The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The Company's regulated operations are subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to regulatory accounting.

(c) Consolidation

These statements present the consolidated financial information of the Company and its wholly owned subsidiary, MTEL Long Distance, Inc. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results realized may differ from these estimates.

(e) Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

(f) *Accounts Receivable*

Accounts receivable are stated at the historical carrying amounts, net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely.

During 2014, the Company transferred billing and collections of certain of its accounts receivable to its parent. As of December 31, 2014, these receivables and the related allowances, and deferred tax assets for doubtful accounts are maintained by the Parent and recognized within due from affiliates on the Company's balance sheet. Any uncollectible accounts related to those balances will be charged back to the Company; such amounts are not estimated to be significant at December 31, 2014 or 2013.

(g) *Materials and Supplies*

Inventories are valued at the lower of cost (determined using average cost method) or market, except for copper wire and fiber optic cable inventories, which are valued at the lower of cost (determined using specific-identification method) or market.

(h) *Telephone Plant and Depreciation*

Telephone plant in-service is stated at original cost, including general overhead capitalized and an allowance for funds used during construction. For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets for nonregulated property and mass asset accounting for regulated property. Telephone plant not subject to regulation is included in nonregulated property and equipment.

When regulated property is retired, the original cost, net of salvage, is charged against accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not constituting substantial betterments, is charged to maintenance expense as incurred. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the balance sheets, and any gain or loss on the transaction is recorded.

(i) *Long-Lived Assets*

The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

(j) Revenue Recognition – Network Access and Long-Distance Settlements

Revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities. The Company accrues unbilled revenues earned from the date of the customers' last billing to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

The Company also participates in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. During 2014 and 2013, the Company recorded out-of-period pooling adjustments of [REDACTED] (increase to earnings) and \$0, respectively.

(k) Broadband Stimulus Grant

In October 2010, the Company was awarded a [REDACTED] Broadband Initiative Program (BIP) loan and grant administered by the Rural Utilities Service (RUS) to extend its fiber optic network to certain rural areas in West Tennessee. Under the Loan/Grant and Security Agreement, 70% of the cost of the project was a grant, with the remaining cost funded by a long-term loan from RUS. As portions of the project were completed, the Company applied for funding from RUS based on the approved plan in the agreement. The grant money received for reimbursement of capital expenditures was accounted for as a deduction from the cost of the asset. The resulting balance sheet presentation reflects the 30% investment in the assets in property, plant and equipment. Depreciation is calculated and recorded based on the 30% investment.

	2014	2013
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

(l) *Environmental Remediation Liability*

The Company accrues for losses associated with environmental obligations when such losses are probable and can be reasonably estimated. The carrying amount of these liabilities is regularly reviewed and adjusted for new facts. See note 9.

(m) *Income Taxes*

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included in the ERC consolidated federal and state tax returns. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions which are more likely than not to be sustained. The Company has determined that it does not have any significant unrecognized tax benefits as of December 31, 2014 and 2013. Years ending on or after December 31, 2011 remain subject to examination by federal and state authorities.

(n) *Fair Value of Assets and Liabilities*

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, receivable from RUS, accounts payable, accrued expenses, due from affiliates and due to affiliates approximates fair value because of the short maturity of those instruments.

(o) *Defined Benefit Plan*

The funded status of the defined benefit pension plan (the Plan) is measured as the difference between the fair value of the Plan's assets and the projected benefit obligation (PBO) as of the consolidated balance sheet date. The unrecognized loss, prior service credit and transition asset existing at the time of adoption of the Financial Accounting Standards Board's (FASB) standard for pension accounting is included in accumulated other comprehensive loss. See note 7.

(p) *Subsequent Events*

The Company has evaluated the effect subsequent events would have on the financial statements through March 31, 2015, which was the date the financial statements were available to be issued.

(q) *Reclassifications*

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

(2) Telephone Plant

Telephone plant in-service at December 31 is summarized as follows:

	Estimated useful lives	
Land	Indefinite	\$
Support assets	7-33	
Central office switching	8	
Central office transmission	8	
Originating/terminating assets	8	
Cable and wire facilities	20-33	
		\$

Depreciation expense for telephone plant was [REDACTED] 2014 and 2013, respectively. The provision, as a percentage of the average balance of telephone plant in service, was [REDACTED] 2014 and 2013, respectively. The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly.

(3) Nonregulated Operations

Nonregulated assets, net at December 31 consist of the following:

	Estimated useful lives	
Property and equipment:		
Land	Indefinite	\$
Buildings and leasehold improvements	30-44	
Internet and security systems equipment	5-10	
Other	7-10	
Accumulated depreciation		
Inventory		
Other		
		\$

Nonregulated property and equipment is stated at original cost. Depreciation on nonregulated property and equipment is computed using the straight-line method for both financial reporting and income tax purposes.

Depreciation expense of the nonregulated property and equipment was [REDACTED] for 2014 and 2013, respectively.

Income from nonregulated operations is as follows:

Sales:

Data revenues
Security systems

Total sales

Expenses:

Cost of sales
Operating Expenses
Depreciation Expense

Total expenses

Pretax income from nonregulated operations

\$

\$

(4) Long-Term Debt

Long-term debt at December 31, 2013 consisted of [REDACTED] borrowed from the RUS under the Company's 2004 Loan Agreement among the Company, the United States of America, and the Rural Telephone Bank. The Loan Agreement was secured by all of the assets of the Company and contained loan covenants, including restrictions on dividends, reporting requirements, and certain operational requirements during the construction. The Company was in compliance with the loan covenants on December 31, 2013. At December 31, 2013, the remaining balance was reclassified as current maturities of long-term debt as the Company intended to repay the debt in full in 2014. This loan was paid off in 2014.

The RUS will have a retained security interest in the assets funded by the broadband stimulus grant over the economic life of the project (22 years). In the event of default of the terms of the agreement, the government could exercise the rights under the retained security interest to gain control and ownership of these assets.

(5) Income Taxes

The provision (benefit) for income taxes attributable to the Company's regulated and nonregulated activities is as follows:

Current:
Federal
State

Deferred:
Federal
State

Current:
Federal
State

Deferred:
Federal
State



The differences between the federal statutory rate and the Company's effective tax rate are as follows:

	2014	2013
Federal taxes at the statutory rate	\$ [REDACTED]	[REDACTED]
State income taxes – net of federal benefit	[REDACTED]	[REDACTED]
Nondeductible penalties and other	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]